



T E X A S ☆ T I M E S

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## A Mysterious \$700 Billion Boost in Revenue

By U.S. Sen. John Cornyn

Every spring, Congress debates a budget plan for the federal government—both for the coming year and for the next five-year period. We just finished that exercise in the U.S. Senate.

These budget plans are not written the same way you plan your family's finances. In a Texas household, if you habitually spend more than you take in, you're in serious trouble. But for the federal government, income and outgo do not have to balance. In fact, if revenue even comes close to expenditures, that is declared a major victory.

These budget plans also have other credibility problems. They typically ignore foreseeable, but inconvenient, events that spawn "supplemental" spending requests—for the war on terror, for example, or various weather-related problems.

Even though these budget plans provide only a framework, they're an important indicator of our political will. They demonstrate national priorities and our willingness to tackle tough issues facing the country. This year's debate, the first since management of Congress was turned over from Republicans to Democrats, was not reassuring.

President Bush had submitted a budget plan earlier this year that balanced the federal budget by 2012. The Democrats then proceeded to add more than \$200 billion in new spending, mostly on domestic programs, while claiming to balance the budget. How did they do it?

This is where things get quite murky. The budget document includes some \$700 billion in new revenue but doesn't specify where that money will come from. Leading Democrats talked of closing the "tax gap"—the difference between what the IRS is supposed to collect and what it actually takes in—but nobody really believes that will raise any serious money.

In 2001 and 2003, a Republican Congress passed tax relief for all Americans. This relief included a phase-out of the death tax, an increased child care credit, capital gains and dividend tax relief, and lower income tax rates, including a new low 10-percent bracket. Because of budget rules, many of those tax relief measures will expire by 2011.

Republicans suspect the Democrat-controlled Congress wants tax relief—or most of it—to expire after the 2008 Presidential election. That would mean a massive tax increase, the biggest in U.S. history. That tax increase could be the magic source for the mysterious \$700 billion additional revenue

left unspecified in the budget resolution.

There was another major omission in this year's debate. The budget plan did absolutely nothing to curb the fastest-growing federal expenditures: mandatory spending or entitlement programs. Entitlement spending already accounts for 40 percent of the federal budget, and it's increasing at an unsustainable 8-9 percent annual rate. From 2008-2012, entitlements will grow by another \$425 billion.

Next year, the post-war Baby Boom generation will start collecting Social Security. Our seniors are living longer. Increasing health-care costs—including the new prescription drug benefit—will cause Medicare and Medicaid payment to jump rapidly.

I strongly believe we should preserve the Bush tax relief that has led directly to our current economic expansion. And we should make the difficult decisions now on how to get a handle on the fastest growing part of the federal budget—entitlement spending.

During consideration of this year's budget, I offered a number of amendments designed to force Congress to address this situation. One important measure—requiring that 60 of 100 Senators approve any future increase in income tax rates—was approved. But another, that would have required the Senate Finance Committee to begin addressing escalating entitlement spending immediately—was rejected.

It's clear, at least at this point, that Congress cannot summon the same discipline that responsible families demonstrate in their budgeting practices.

In January, Federal Reserve Chairman Ben Bernanke advised Congress that "Addressing the country's fiscal problems will take persistence and a willingness to make difficult choices." So far, Congress has shown neither the persistence nor the long-term will to make those difficult decisions.

*Sen. Cornyn serves on the Armed Services, Judiciary and Budget Committees. In addition, he is Vice Chairman of the Senate Select Committee on Ethics. He serves as the top Republican on the Judiciary Committee's Immigration, Border Security and Refugees subcommittee and the Armed Services Committee's Airland subcommittee. Cornyn served previously as Texas Attorney General, Texas Supreme Court Justice and Bexar County District Judge. For Sen. Cornyn's previous Texas Times columns: [www.cornyn.senate.gov/column](http://www.cornyn.senate.gov/column)*